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SUBJECT: SUDAN: SEPARATE ABYEI'S OIL AND LAND NEGOTIATIONS AND PLAN  
NOW FOR FUTURE OF OIL SAYS NORWEGIAN ENVOY

REF: KHARTOUM 1709

¶1. (SBU) SUMMARY: In a November 3 meeting with Special Envoy Andrew Natsios, the Norwegian Petroleum Envoy to Sudan Anders Hannevik reported that he has urged Sudanese leaders to separate Abyei's oil and land negotiations. He also shared his calculations of northern and southern percentages of both production and revenue, and predicted that the North could lose significant oil revenues if South Sudan secedes in 2011. He urged all parties to start planning for the future of the oil industry post-2011 and warned that an agreement needs to be reached sooner rather than later, or disagreements over oil could potentially lead to war. END SUMMARY.

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PRODUCTION AND REVENUE PERCENTAGES OF NORTH AND SOUTH  
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¶2. (SBU) According to Hannevik, South Sudan currently produces between 66-77 percent of Sudan's oil. The revenue sharing between the North and the South, however, is the exact inverse, with the North taking two-thirds of total oil revenue. (Note: This difference between Southern production and revenue is due to the conditions laid out in the Comprehensive Peace Agreement where "fifty percent (50%) of net oil revenue derived from oil producing wells in Southern Sudan shall be allocated to the Government of Southern Sudan (GOSS)... and the remaining fifty percent (50%) to the National Government and States in Northern Sudan." End Note.) Hannevik stated that oil production in Sudan is near or past peak production unless there are significant new discoveries. Hannevik said representatives from the Department of Exploration and Development at the Sudanese Ministry of Energy and Mining have told him there have been no recent major discoveries. Hannevik predicted that the South's oil revenue could rise after 2011 from \$1.5 billion a year to \$5-7 billion a year if the South secedes. He noted that a reciprocal fall in northern revenues could lead to great instability, increased tension, and potentially "disastrous consequences."

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ABYEI  
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¶3. (SBU) According to Hannevik's calculations, 67 percent of all oil lies in the south, 20 percent in the North, and 14 percent in Abyei. He stated that oil production in Abyei is on the decline, but is still a significant source of production for Sudan, and especially for the North, with half of its production coming from the region. He said that Abyei has been more thoroughly explored than the rest of the country (with more seismic run activity and exploratory drilling) and that there is nothing to indicate that this region has significant undiscovered oil reserves.

¶4. (SBU) Hannevik stated that all oil revenue earned from fields produced in Abyei currently goes to the Government of National Unity (GNU). He stated that Khartoum currently owes the autonomous

Government of South Sudan (GoSS) oil revenues from Abyei, estimated to be \$300 million. (Note: This appears to be a clear violation of Chapter IV (3.1) of the CPA, which states that "Without prejudice to the provisions of the Wealth Sharing Agreement, the net-oil revenue from the oil produced in Abyei Area shall be shared during the Interim Period as follows: 50% to the National Government; 42% to the GoSS; 2% to Bahr El Ghazal Region; 2% Western Kordofan; 2% to the Ngok Dinka; 2% to the Misseriya people." End Note). Without a resolution to Abyei, oil revenues will continue to go to the North, and therefore Hannevik speculated it may be in the interest of the North to delay a final resolution to the Abyei standoff. He said that the GoSS stands to lose a total of \$1.7 billion by 2011 if a solution on Abyei is not reached by then. Hannevik believes that it is unrealistic for the GoSS to expect that the GNU will ever pay for past oil revenues from Abyei, since this is "money they have already spent and no longer have."

15. (SBU) According to Hannevik, the North values Abyei for its oil, while the South attaches more importance to the region's land, water, and historical and cultural dimensions. Hannevik stated that he has become more and more convinced of the need to split the negotiations of oil from those on territory. Hannevik's colleague, Einar Risa, a Special Adviser for the International Program for Petroleum Management and Administration (PETRAD,) said he envisions a land border for Abyei that would be quite different from the border used for oil rights. Risa pointed to resolution of East Timor's independence from Indonesia and current negotiations between Norway and Russia on their Barents sea boundary as two models of where land and oil issues have been separated during negotiations. SE Natsios suggested preparing a list of such agreements as an incentive to the parties to show them what is possible.

16. (SBU) Hannevik reported that he has proposed this idea of dividing Abyei's land from its oil negotiations to South Sudan leaders. Although many GoSS leaders have appeared receptive to the

idea, he stated that the Secretary General of the Sudan People's Liberation Movement, Pagan Amum, appeared to initially be against this idea, while Foreign Minister Deng Alor (who is a Ngok Dinka from the region) guarded his reaction. Hannevik said that he will present this idea to the North's National Congress Party (NCP) leaders.

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NORWEGIAN RECOMMENDATIONS  
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17. (SBU) Hannevik ended his presentation with a number of recommendations. He stated his view that an early solution to Abyei is in the interest of the Government of Southern Sudan, as every month that passes without a solution translates into lost, and likely unrecoverable, oil revenue. The Petroleum Envoy also speculated that the North's significant losses of oil revenue following the 2011 referendum "may be unacceptable for the NCP and could potentially lead to disastrous results." He stated that a post-2011 sharing mechanism needs to be agreed upon before the North and South view war as the final arbiter. (He added that when Pagan Amum was briefed about the 2011 decline in oil revenues for the North, Amum said "This means war.") Hannevik ended his presentation stating that peace should have a quantified value. He observed that if the sole criterion for future policy is the amount of oil revenue a party can reap, war may be the only option, but he noted that for the South, Abyei will become less and less of an important oil revenue source over time.

18. (SBU) COMMENT: Post previously proposed separating Abyei's oil and land negotiations. This idea warrants further detailed study with particular attention given to successful models (e.g. East Timor) where this has worked before. While war is always a possibility in Sudan, there is also a chance, slim perhaps, that the two sides may share, since pipelines, refineries, and infrastructure are in the North and reserves are in the South. But both partners feel a strong sense of entitlement about oil wealth. END COMMENT.

18. (U) S/E Natsios was not able to clear on this cable prior to his departure.

19. (U) Hannevik promised to provide an updated copy of his Power

Point presentation in the coming weeks. Post will forward this presentation to the Department as soon as it is delivered.

FERNANDEZ